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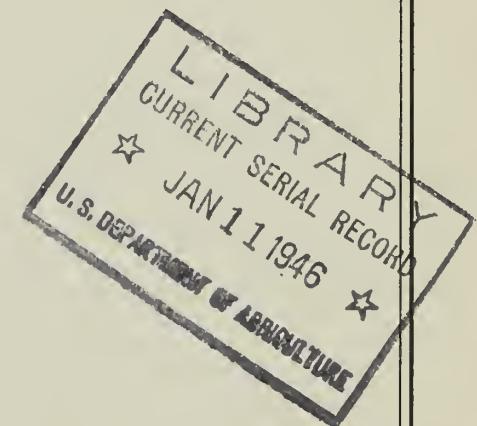
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FARM CREDIT ADMINISTRATION
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.

ORGANIZING^A
A
REFRIGERATED FOOD LOCKER ASSOCIATION

By
L. B. MANN



COOPERATIVE RESEARCH AND SERVICE DIVISION

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM CREDIT ADMINISTRATION
WASHINGTON 25, D. C.
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The Cooperative Research and Service Division conducts research studies and service activities relating to problems of management, organization, policies, merchandising, sales, costs, competition, and membership arising in connection with the cooperative marketing of agricultural products and the cooperative purchase of farm supplies and services; publishes the results of such studies; confers and advises with officials of farmers' cooperative associations; and cooperates with educational agencies, cooperative associations, and others in the dissemination of information relating to cooperative principles and practices.

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DIRECTOR OF INFORMATION AND EXTENSION
FARM CREDIT ADMINISTRATION
KANSAS CITY 8, MISSOURI

ORGANIZING A REFRIGERATED FOOD LOCKER ASSOCIATION

By L. B. Mann
Senior Agricultural Economist

Seldom has any new development created so much interest in its use, influence, and future possibilities as has the refrigerated food locker, commonly called the cold-storage locker. The rapid expansion of local plants which provide refrigerated storage for perishable farm products such as meat, poultry, fruits, and vegetables is one of the most recent advances in the field of food storage and distribution.

The forerunner of the modern locker plant, according to available information, started in Chico, Calif., about 1903 with the renting of cold-storage space to farmers and merchants for storing meats and vegetables. Later, in 1917, an ice plant in Centralia, Wash., furnished freezer-storage space to farmers and butchers for storing game and home-killed meat.

During the next several years, this kind of service proved so popular that numerous creameries and ice plants in the Western States furnished space for their farmer-patrons to store meat and game. It was not until 1935, however, that the locker plant moved into the Middle West, and only since 1937 has it become important in the States east of the Mississippi River. Although retarded by wartime shortages, the number of plants has expanded substantially. It is estimated that approximately 6,000 were in operation in 1945.

Wide-spread interest has been aroused and many requests for information have been received from farmers and cooperative organizations. Therefore, the Cooperative Research and Service Division has prepared this circular, the purpose of which is (1) to offer suggestions on organization procedure and (2) to present proposed forms for organization documents.

ORGANIZATION PROCEDURE

Although many of the locker plants now in operation are privately owned, a considerable number have been organized as cooperatives. Most of the earlier cooperative plants were established as side-line enterprises by creameries, cheese factories, or milk plants. However, several of the more recent ones have been organized as independent enterprises by local farm organizations or by groups of farmers and local business men.

Before organizing a refrigerated locker association a thorough survey should be made by a representative group of interested farmers. Wherever possible, the services of the agricultural extension divisions of the

Note: Acknowledgment is made of the assistance of L. S. Hulbert, Liaison-Cooperative Attorney, Office of the Solicitor, in drafting these organization forms.

State colleges, the county agents, the vocational teachers, and the representatives of the State departments of agriculture as well as the banks for cooperatives should be utilized in making this preliminary survey and in developing plants.

In conjunction with this survey, some associations have found it desirable to carry on educational programs. They may include tours to other cooperative plants, educational film strips or movies showing operation of locker plants, printed illustrated folders pointing out methods of operation and advantages, and a number of community meetings for discussion of the project.

Such a survey should gather information on the success of similar associations in other communities, the attitude of local producers toward such an enterprise, the economic need and the demand for the service, the extent of present competition in the community, the most favorable location for a plant, the size of plant for probable needs, the estimated cost of construction and equipment, and the probable cost of services to users. The number of members and patrons to be expected and the maximum amount of capital which can be raised should be estimated conservatively.

If, after analyzing the information assembled, the prospects appear favorable for forming an association, a mass meeting should be called to consider further the desirability and prospects for the successful organization of an association.

If sufficient interest and financial support are shown at the mass meeting, a committee or committees should be appointed to look after the details of organizing the association. If more than one committee is deemed advisable, the following might be appointed: (1) Organization committee; (2) stock subscription, locker rental, and survey committee; and (3) locker plant committee.

DUTIES OF THE COMMITTEES

The organization committee should have general charge of organizing the association and should be responsible for having the organization papers prepared. These would include:

1. Organization agreement
2. Locker rental agreement
3. Conditional subscription for preferred stock
4. Articles of incorporation
5. Bylaws
6. Miscellaneous forms such as waivers of notice and minutes of first meetings of members and directors, and revolving fund certificates.

The services of an attorney should be engaged to draw up these papers. Inasmuch as one object of the organization agreement is to ascertain

definitely if a cooperative locker association should be organized, this agreement should be drafted first. If a sufficient number of potential patrons sign the organization agreement, the other papers required for organization may be prepared.

Suggested organization forms are presented on pages 5 to 7.

A sufficient number of copies of the organization agreement should be made available to the members of the subscription and rental committee as soon as possible in order that they may begin to solicit subscriptions and rental agreements.

The stock subscription and survey committee should ascertain potential patronage so that they may have some idea of the size of plant needed in that community. In addition to having patrons sign yearly locker-rental agreements prior to actual construction of the plant, every effort should be made to raise capital through the sale of common and preferred stock. At least 40 percent of the needed capital and over half of the first year's rental receipts should be obtained before starting operation. In soliciting prospective members care should be exercised to avoid making representations or promises that are doubtful of fulfillment.

If the organization committee is able to obtain enough signatures to the organization agreement within the time limit, subscriptions for the minimum amount of capital and the rental of sufficient lockers, as set forth in the agreement, the committee should take steps to have the association incorporated. In this connection, it should be pointed out that articles of incorporation must conform strictly to the statute under which the association is incorporated.

In most States, the persons who are to act as incorporators of an association must be producers of agricultural products and nearly all of the cooperative acts provide that the names and addresses of the first board of directors shall be included in the articles of incorporation. Usually the incorporators, or some of them are also named in the articles of incorporation as members of the first board of directors. Under some statutes the articles of incorporation also are required to give the names of the persons who will constitute the first officers of the association.

Following the filing of record of the articles of incorporation, it is in order in most of the States for the persons named in the articles as incorporators to hold a meeting (for form of notice, see p. 29) as charter members of the association for the purpose of adopting the bylaws.¹

Nearly all of the statutes under which cooperative associations are incorporated provide that a majority vote of the members or their written

¹Low v. Connecticut & P.R.R.Co., 45 N.H. 370; Lechmere Bank et al v. Boynton et al., 11 Cushing (Mass.) 369; Monterey, etc. R. Co. v. Hildreth, 53 Cal. 123; Fletcher Cyclopedia Corporations (permanent edition) v. I, p. 886.

assent is necessary for the adoption of bylaws. The persons named in the articles of incorporation as incorporators are generally regarded as members of the association on the filing of the articles of incorporation, while further action is usually required to make other persons members. For convenience in the organization of cooperative associations, the charter members usually adopt the original bylaws. (See bylaws, pp. 18-29.)

Provision is made to have each incorporator sign the bylaws for the purpose of assenting thereto. This should be done at the first meeting called for the adoption of the bylaws. A form of minutes for this meeting will be found on page 30.

After the bylaws have been adopted, the board of directors named in the articles of incorporation should hold a meeting. This meeting is usually held in pursuance of a waiver of notice of meeting (see p. 30). Among other things which should be acted upon by the board of directors at this meeting (suggested minutes of which appear on pp. 30-33) are the following:

1. Election of officers specified in the bylaws.
2. Description of specific powers and duties which the board of directors desire to delegate to the executive committee during the period when directors are not in session.
3. Instructions to the president and secretary to have prepared certificates of common and preferred stock and to issue same.
4. Authorization of the president and the secretary to have copies of the articles of incorporation and bylaws printed and distributed to members.
5. Adoption of rental agreement for the use of lockers.
6. Acceptance of all subscription agreements for capital stock of the association, in case it is organized with capital stock; applications for membership and subscriptions to revolving fund certificates, in case of nonstock associations. Authorization of the president and the secretary to enter into rental agreements with subscribers of common stock or applicants for membership and with other persons; and authorization of the officers to obtain additional subscriptions for capital stock and signatures to rental agreements.
7. Selection of a depository bank.
8. Designation of officers or employees who are authorized to sign checks.
9. Arrangements for bonding of officers and employees in accordance with the bylaws.

10. Instructions to secretary to obtain a corporate seal as provided in the bylaws.

11. Transaction of any other business relating to such matters as insurance and the employment of a manager and other employees.

The locker-plant committee should give careful consideration to the selection of a location preferably choosing one in a community of self-sustaining, diversified, family-sized farms connected by good roads with a popular shopping center. A good sized county seat located in such a territory offers one of the most desirable locations. If in addition to its agricultural trade this town also supports local manufacturing establishments, an even better opportunity is presented.

The selected site should be convenient to the shopping district. It should have ample parking space and ready access to sewer, water, and electric connections. Original plans should include sufficient space for additional locker room if needed later.

This committee should get estimates and bids from construction companies and manufacturers of locker and refrigeration equipment but should not attempt to make any binding agreements until after the association is incorporated.

SUGGESTED ORGANIZATION FORMS

The forms contained herein have been prepared to provide primarily for organizing a local association with a membership of agricultural producers. They are so drawn, however, as to provide also for organizations which include in their membership cooperative associations of producers as well as individual producers. The forms also are drafted on the theory that an association may wish to serve a limited number of patrons who are not engaged in agriculture.

It should be observed that an organization agreement is not indispensable in forming a cooperative association. This is particularly true in the case of a local association operating in a small area. In most instances, however, it will be found advisable and helpful to use an agreement of this kind, particularly since it includes a subscription to the capital stock of the association. Attention is called to the fact that the organization agreement also obligates all producers who subscribe thereto to execute the agreement for the use of storage lockers as soon as lockers are available for use. The form of agreement for the use of storage lockers, which is attached to and made a part of the organization agreement, may be used separately for both member and nonmember patrons after the association is organized.

One matter not covered by the agreement for the use of storage lockers, and which seems to have been given but slight consideration by existing associations, is insurance against fire and theft and, if possible, against deterioration of the contents of patrons' lockers. It would be

in order for an association to endeavor to obtain for its patrons protection of this character and to have the agreement offer this protection at specified rates to the patrons.

There is also included a stock subscription agreement for preferred stock which may be used in obtaining capital from persons who are interested in furthering the organization of the association, but who are ineligible to become members.

The articles of incorporation and bylaws provide for an association organized with nonvoting preferred stock which may be held by anyone, and common voting stock which may be owned only by producers of agricultural products and cooperative associations of such producers who meet the specified eligibility requirements.

It may be deemed best, however, to organize an association of the kind in question without capital stock. The stock corporation is sometimes preferred from the standpoint of raising capital and obtaining the financial support of interested persons who are not eligible for membership. In practice, substantial capital subscriptions are often made by nonmember patrons who are not agricultural producers. If it is desired to organize a nonstock association, any competent attorney can revise these forms to serve the purpose.

Attention is called to article IV of the bylaws, setting forth the manner in which capital is retained and used in the business and for which the patrons receive evidence. Under the provisions of article IV, a percentage of the capital furnished by each patron is evidenced by revolving fund certificates and a portion is credited to capital reserves. When sufficient capital has been accumulated, the amount retained in a given year may be used to retire the oldest outstanding capital; in this way the present patrons finance the association and the patrons of former years are repaid the funds which they furnished for financing the association.

The provisions for revolving capital invested by patrons have been designed to provide a plan of financing which will meet in an equitable manner the reasonable financial requirements of a properly organized and properly managed association. At the same time these requirements will not be burdensome to the members and patrons.

Finally, it should be stated that these forms are general in character and should be checked carefully with the law of the State in which it is proposed to form an association. Necessary changes will have to be made in the forms to meet the requirements of the statute under which the association is to be organized. The forms should also be adapted or changed to best serve the business needs and the manner of operation of the association. The services of an attorney should be obtained for drafting the various forms since these must be altered, modified, and checked to meet the local needs and the legal requirements of the State in which the association is to be incorporated.

ORGANIZATION AGREEMENT²

The undersigned, a producer of agricultural products, or a cooperative association of such producers meeting the requirements of the Agricultural Marketing Act, as amended, together with other subscribers to agreements identical herewith, in order to obtain an efficient refrigerated storage service, proposes to organize a cooperative association with capital stock as hereinafter provided.

The undersigned agrees for himself and for the benefit of and for the association to be organized and in consideration of the premises and of the subscriptions of others to agreements identical herewith, as follows:

1. The association shall be organized with suitable articles of incorporation and bylaws as determined by an organization committee consisting of the following persons:

NAME _____

ADDRESS

If any member or members of this committee should resign or be unable to act, the remainder of the committee may elect a successor to fill any such vacancy or the committee may increase its membership if deemed necessary.

2. The organization committee shall keep a full, true, and detailed account of all receipts and of all expenditures of every kind and shall have such accounts audited and render a written report thereof to the board of directors of the association, when organized, and shall thereupon turn over to the association any balance remaining in its hands free of obligation. If it is not so organized, such unexpended balance shall be prorated among those who contributed thereto.

3. The amount of the capital stock shall be _____ dollars (\$_____), divided into _____ shares of common stock, each of the par value of _____ dollars and _____ shares of preferred stock, each of the par value of _____ dollars.

²If deemed advisable, this agreement may be expressed in the plural and used for obtaining the signatures of a number of producers to each copy thereof. Only those who are eligible for membership should sign the organization agreement.

4. The undersigned agrees to purchase and does hereby subscribe for _____ shares of common stock (at least one share) of the association, par value \$_____, and _____ shares of 6 percent noncumulative preferred stock of the association, par value \$_____ each, and agrees to pay for same as follows:

(Here insert the plan of stock payment to be used whether all cash or otherwise.)

5. If, on or before _____, 19_____, bona fide subscriptions from acceptable parties to the common and preferred stock of the association shall equal the sum of \$_____, and the renting of _____ storage lockers has been assured, at least one-half of which will be rented by members who are agricultural producers,³ the organization committee shall forthwith proceed to file the articles of incorporation and to have the organization of the association completed; subject, however, to the foregoing conditions only, the undersigned agrees that his signature hereto is irrevocable and he so agrees in order to induce others to sign agreements like this one for their mutual benefit.

6. Acceptance of this agreement by the association shall be deemed conclusive upon the mailing of a notice to that effect to the undersigned at his address noted below, and such notice shall be conclusively established by the affidavit of the secretary of the association. Upon receipt of such notice, the undersigned shall promptly tender to the association the respective amounts subscribed for common and preferred stock or the initial payments required thereon.

7. The undersigned, if a producer of agricultural products, also agrees to execute an agreement for use of refrigerated storage lockers, in the form attached hereto and made a part hereof.

Read, considered, and signed at _____, _____ this
day of _____, 19_____.

(Subscriber's signature - do not sign
without reading)

(Print name here)

Address _____

Accepted at _____, _____,
this _____ day of _____, 19_____, in accordance with a resolution
of the board of directors.

Association

By _____
Secretary

³If association is to be eligible for exemption from the payment of Federal income taxes, at least one-half of the business must be done with agricultural producers who are members of the association, and not over 15 percent of the business of the association may be done with persons who are neither members nor producers.

AGREEMENT

(For Use of Storage Lockers)

Locker No. _____

This agreement made and entered into by and between _____, hereinafter designated Association, and the undersigned, hereinafter designated Patron,

WITNESSETH:

1. The Patron hereby makes application to use storage locker No. _____ in the plant of the Association, at _____, for the period expiring one year from the date of the acceptance hereof by the Association, at a rental, payable in advance, of \$_____ for such period, (1) for operating and maintenance costs and expenses, and (2) for capital; such locker to be used only to store the food products of the Patron, subject to the terms and conditions set forth herein; and Patron shall deposit with the Association _____ cents for keys to said locker, such deposit to be returned to Patron upon the termination of this agreement and the surrender of such keys.

2. The Patron shall have access to his locker only during the regular business hours of the Association. The Patron agrees that the Association at all times shall have the right and authority to open said locker and inspect the contents thereof.

3. The Association may, without liability, allow any person bearing the Patron's key to have access to the Patron's locker and its contents. The Association reserves the right, however, to refuse access to the Patron's locker and its contents to any person other than the Patron who does not present a written order from the Patron even though such person bears the Patron's key.

4. No goods shall be placed in the locker unless such goods shall have been inspected, prepared, processed, frozen, and marked by the Association. The Patron may not store goods which it would be unlawful to place in cold storage under the laws of the State of _____ or which the Association in its sole discretion considers not fit for successful storage or dangerous or injurious to other goods stored by the Association.

5. The Association will operate facilities for preparing, processing and freezing meats, poultry, fowl, fish, game, fruits, berries, and vegetables approved by it for storage and for rendering lard, making sausage and curing meats. The fees required to be paid by all Patrons are (1) for operating and maintenance costs and expenses, and (2) for capital for the Association. All amounts paid by Patron either as rental or as fees over and above his share of the operating and maintenance costs and expenses of the Association are furnished by him for

capital purposes only and the Association is hereby obligated to account therefor to Patron as provided in the bylaws. The amount of the fees required from each Patron for operating and maintenance costs and expenses and for capital shall be posted in a conspicuous place in the plant of the Association and shall not be changed without giving Patron at least a 30-day notice of such change by posting a new or revised list of fees.

6. The Association will exercise ordinary care and diligence to maintain such temperatures and conditions of all rooms in its plant as will chill, sharp freeze, and hold frozen food and products under proper conditions. The Association shall not be liable for any damage or injury to the goods of the Patron arising from a failure to maintain temperature or otherwise when such damage or injury arises out of or is caused by floods, strikes, public enemy, acts of God, unforeseen emergencies, and other acts or omissions over which the Association does not have control, or if the Association has used ordinary care and diligence.

7. The Association does not assume responsibility for loss of or injury to goods by fire or theft and does not assume to insure the goods of the Patron against such risks.⁴

8. The Patron agrees to observe all rules and regulations issued by the Association relating to the use of storage lockers and all laws and ordinances pertaining to the purpose and subject matter of this contract and specifically agrees that no goods may be stored in the locker for a period exceeding 12 months and agrees to hold the Association harmless if a failure to comply with any such rules, regulations, laws, or ordinances results in loss or damage to the Association.

9. This agreement shall take effect as of the date of its acceptance by the association as shown below and shall remain in full force and effect for a period of one year and unless terminated as herein provided shall continue in full force and effect from year to year thereafter. Either party to this agreement may terminate the same in any year by notifying the other party in writing of such intention not more than 30 nor less than 10 days prior to the anniversary date of the acceptance of this agreement by the Association; and in the event neither party gives such notice of termination, it is hereby mutually agreed that this shall constitute conclusive evidence that the parties have renewed this agreement for another year. In addition, the Association may for cause terminate this agreement upon _____ days' written notice to the Patron at his last known address, and the payment to Patron on a pro rata basis of any unearned rental on said locker. Upon termination of this agreement, Patron must return all keys to the Association and must remove all goods remaining in the locker assigned to him and on failure of Patron to do so, the Association may remove the contents of the locker and dispose of them at private sale. The Association may then deduct from the proceeds

⁴If insurance arrangements are made, revise accordingly.

of such sale all unpaid rentals and fees and shall mail a check for the balance, if any, to the Patron at his last known address.

In witness whereof, Patron has hereunto set his hand this _____
day of _____, 19____, at _____.

_____ (Patron's signature)

_____ (Patron's address)

Accepted: Receipt of \$_____ rental is acknowledged this _____ day of
_____, 19____.

_____ Association

By _____

CONDITIONAL SUBSCRIPTION FOR PREFERRED STOCK⁵

of the

_____ Association

Whereas it is proposed by certain interested parties to organize a cooperative refrigerated food storage association to be known as the _____ Association, with its principal place of business at _____, and having an authorized capital stock of _____ Dollars, consisting of _____ shares of common stock of a par value of \$_____ and _____ shares of _____⁶ percent noncumulative preferred stock of a par value of \$_____.

Now, therefore, the subscribers hereto, in order to induce others to subscribe for such preferred stock, and in consideration of their mutual promises, do hereby severally agree to and with each other, that they will take, and pay for, and they do hereby severally subscribe for the number of shares of _____⁶ percent noncumulative preferred stock set opposite their respective names, payment to be made as follows:

(Here state plan of payment.)

It is expressly agreed and understood that this agreement and subscription shall not be binding unless \$_____ of capital shall be secured in bona fide subscriptions of acceptable parties to the common and preferred capital stock of the association on or before the _____ day

⁵This may be signed by those who are ineligible to be voting members.

⁶It is believed the rate should not exceed 6 percent. If an association is ineligible for exemption from the payment of Federal income taxes it is apparently required to pay income taxes on amounts that it might have distributed as dividends on its stock. See United Cooperatives, Inc., v. Commissioner of Internal Revenue, 4 T.C. 93.

of _____, 19____, and unless the association is organized and located as aforesaid with the said capital stock and for the purpose aforesaid. This agreement shall be mutually binding upon the subscribers until said date.

In Testimony Whereof, the subscribers have hereunto set their hands:

NAME	ADDRESS	NUMBER OF SHARES	SUBSCRIPTION

⁷ Ample time should be allowed for organizing the association.

ARTICLES OF INCORPORATION

of _____

⁸Association

We, the undersigned, all of whom are residents and citizens of the State of _____, engaged in the production of agricultural products, do hereby voluntarily associate ourselves together for the purpose of forming a cooperative association, with capital stock, under the provisions of the _____ Cooperative Marketing Act of the State of _____.

Article I

The name of the association shall be the _____ Association.

Article II

The Association is formed for the following purposes:

- (a) To operate a refrigerated food-storage plant and in connection therewith to engage in: (1) The purchasing and slaughtering of cattle, sheep, swine, fowl, and poultry; (2) the purchasing, selling, curing, smoking, freezing, processing, preserving, packing, storing, handling, and shipping of meats, fish, fowl, game, poultry, fruits, berries, and vegetables, and other perishable commodities of every character and description; and (3) the rental of storage lockers.
- (b) To engage in any activities in connection with the purchase, furnishing, rental, and sale of supplies and equipment.

Article III

This Association shall have the following powers:

- (a) To borrow money without limitation⁹ as to amount of corporate indebtedness or liability; and to give a lien on any of its property as security therefor in any manner permitted by law.
- (b) To act as the agent or representative of any member or members in any of the activities mentioned in article II hereof.
- (c) To buy, lease, hold and exercise all privileges of ownership over such real or personal property as may be necessary or convenient for the conduct and operation of the business of the association or incidental thereto.

⁸It is recommended that wherever permitted, the word "Cooperative" should appear in the name of the association, and it is required by some statutes.

⁹In some States, the statutes require that the maximum indebtedness which may be incurred by a corporation be stated in its articles of incorporation.

(d) To draw, make, accept, indorse, guarantee, execute, and issue promissory notes, bills of exchange, drafts, warrants, certificates, and all kinds of obligations and negotiable or transferable instruments for any purpose that is deemed to further the objects for which this association is formed.

(e) To transact any authorized business with nonmembers provided that the total volume of business transacted by the association with nonmembers in any fiscal year shall not exceed the total volume of business transacted with its members.

(f) To acquire, own, and develop any interest in patents, trademarks, and copyrights connected with or incidental to the business of the association.

(g) To cooperate with other similar associations in creating central, regional, or national cooperative agencies, for any of the purposes for which this association is formed, and/or to become a member or stockholder of such agencies as now are or hereafter may be in existence.

(h) To have and exercise, in addition to the foregoing, all powers, privileges, and rights conferred on ordinary corporations and cooperative associations by the laws of this State and all powers and rights incidental or conducive to carrying out the purposes for which this association is formed, except such as are inconsistent with the express provisions of the act under which this association is incorporated, and to do any such thing anywhere; and the enumeration of the foregoing powers shall not be held to limit or restrict in any manner the general powers which may by law be possessed by this association, all of which are hereby expressly claimed.

Article IV

The association shall have its principal place of business in the City of _____, County of _____, State of _____.

Article V

The term for which this association shall exist is _____ years from and after the date of its incorporation.

Article VI

The number of directors of this association shall be ____¹⁰. Of the first elected board of directors, _____ shall be elected for one

¹⁰If the statute under which an association is to be incorporated will permit, it is preferable to state in the articles of incorporation only the minimum number of directors that the association will have, providing in the bylaws, which may be more easily amended, for the actual number.

year; ____ for two years; and ____ for three years; and thereafter all directors shall be elected for three years.¹¹ The names and addresses of those who are to serve as incorporating directors until the first annual meeting of the members or until their successors are elected and qualified are:

NAME

ADDRESS

Article VII

The amount of the capital stock shall be _____ Dollars (\$ _____) divided into _____ shares of common stock, each of the par value of _____ Dollars and _____ shares of preferred stock, each of the par value of _____ Dollars.

COMMON STOCK - The common stock of this association may be purchased, owned, and/or held only by producers of agricultural products who enter into the standard agreement for the use of storage lockers, and cooperative associations of producers meeting the requirements of the Agricultural Marketing Act, as amended, and only such persons and associations shall be regarded as eligible members of the association. In the event the board of directors of the association shall find, following a hearing, that any of the common stock of this association has come into the hands of any person or association which is not eligible for membership or that the holder thereof has ceased to be an eligible member or that such holder, if a producer, has not for a period of _____ months patronized the association, he shall have no rights or privileges on account of such stock or vote or voice in the management or affairs of the association (other than the right to participate in accordance with law in case of dissolution) and the association shall have the right, at its option, (a) to purchase such stock at its book or par value, whichever is less, as determined by the board of directors of the association, (b) to require the transfer of any such stock at such book or par value to any person or association eligible to hold the same, or (c) to require such holder of any such stock to convert the same into shares of preferred stock of equal value.

In exercising its right to purchase or require the transfer or conversion of common stock into preferred stock, if such holder fails to deliver the certificate or certificates evidencing the same, the

¹¹If desired, directors may be elected annually for a term of one year.

association may cancel such certificate or certificates on its books and issue a new certificate or certificates of common or preferred stock, as the case may be, to the party entitled thereto.

The common stock of this association may be transferred only with the consent of the board of directors of the association and on the books of the association and then only to persons or associations eligible to hold the same and no purported assignment or transfer of common stock shall pass to any person not eligible to hold the same, any rights or privileges on account of such stock or vote or voice in the management or affairs of the association. Each eligible holder of common stock shall be entitled to only one vote in any meeting of the stockholders, regardless of the number of shares of stock owned by him. This association shall have a lien on all of its issued common stock for all indebtedness of the holders thereof thereto. No dividends shall be paid on the common stock.

PREFERRED STOCK - The preferred stock of this association may be owned or held by anyone; shall carry no voting rights¹² and may be transferred only on the books of the association; and may be redeemed or retired in whole or in part on a pro rata basis, at par, together with all unpaid dividends thereon at any time on 30 days' notice by the association, in chronological order by years in which certificates therefor were issued. Noncumulative dividends¹³ of ¹⁴ () percent per annum may be paid thereon when, if, and as declared by the board of directors. Upon the dissolution or distribution of the assets of this association, the holders of the preferred stock shall be entitled to receive the full par value of their stock and all unpaid dividends thereon before any distribution is made on the common stock.

In testimony whereof, we have hereunto set our hands this _____ day of _____, 19____, at _____

State of _____)
)
 ss.
County of _____)

¹² In some States, all classes of stock are entitled to vote and this provision should be revised accordingly where necessary, but in such cases care should be taken to restrict the right to hold such preferred stock to producers.

¹³ Where deemed advisable, cumulative dividends may be provided.

¹⁴ The rate agreed upon should be inserted.

¹⁵Before me, a notary public, within and for said county and State, on this _____ day of _____, 19____, personally appeared _____, known to me to be one of the identical persons who executed within and foregoing instrument, and he acknowledged to me that he had executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal the day and year above set forth.

Notary public in and for the

County of _____,

State of _____.

My commission expires _____,

¹⁵The required number of incorporators should acknowledge and the acknowledgment form must conform to the requirements of the state of incorporation.

BYLAWS

of _____ Association

Article I

PURPOSES AND POWERS

The purposes for which this association is formed and the powers which it may exercise are set forth in its articles of incorporation.

Article II

DIRECTORS AND OFFICERS

SECTION 1. Number and qualifications. - The business of the association shall be controlled by a board of directors of _____ (_____) members,¹⁶ each of whom shall be a member of this association or an authorized representative of an incorporated member.¹⁷ No person shall be eligible for the office of director if he is in competition with or is affiliated with any enterprise that is in competition with the association and if a majority of the board of directors of the association finds at any time following a hearing that any director is so engaged or affiliated, he shall thereupon cease to be a director.

SECTION 2. Election of directors. - At the first annual meeting of the members of this association, directors shall be elected to succeed the incorporating directors. _____ (_____) directors shall be elected for one year, _____ (_____) directors for two years, and _____ (_____) directors for three years, and thereafter each director shall be elected for three years.¹⁸ At least two directors shall be nominated for each directorship. Directors shall be elected by secret ballot. The nominee who, among the nominees for each directorship, receives the greatest number of votes shall be declared elected to the directorship for the ensuing term. Directors shall hold office until their successors have been elected and qualified and have entered upon the discharge of their duties.

¹⁶ If consistent with the statute and the articles of incorporation this sentence might be made to read:

"This association shall have at least _____ directors but the members at any annual meeting may elect such additional directors as may be deemed advisable; all directors shall be members of the association."

If the foregoing provision is adopted, suitable changes should be made in SEC. 2. In any case it may be deemed advisable to change SEC. 2 so as to render a director ineligible to succeed himself if he has served two consecutive terms.

¹⁷ This may not be permissible under the statute under which an association is incorporated.

¹⁸ If desired, directors may be elected annually for a term of one year.

SECTION 3. Election of officers. - The board of directors shall meet within _____ (____) days after the first election and within _____ (____) days after each annual election and shall elect by ballot a president, vice president, secretary, and treasurer (or a secretary-treasurer), each of whom, unless earlier removed by death, resignation, or for cause, shall hold office until the election and qualification of his successor. The president and vice president only need be members of the board of directors.

SECTION 4. Vacancies. - Whenever a vacancy occurs in the board of directors, other than from the expiration of a term of office, the remaining directors shall appoint a member or an authorized representative of an incorporated member to fill the vacancy until the next regular meeting of the members.

SECTION 5. Board meetings. - In addition to the meetings mentioned above, regular meetings of the board of directors shall be held (monthly, quarterly, or semi-annually, or at such other times and places as the board may determine).

SECTION 6. Special meetings. - A special meeting of the board of directors shall be held whenever called by the president or by a majority of the directors. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the secretary, and shall state the time and place of such meeting.

SECTION 7. Notice of board meetings. - Notice of the regular or special meetings of the directors shall be mailed to each director at least _____ (____) days prior to the time of such meeting. On the signing of a waiver of notice of a meeting, a meeting of the board of directors may be held at any time.

SECTION 8. Compensation. - The compensation, if any, of the members of the board of directors and of the executive committee shall be determined by the members of the association at any annual or special meeting of the association; provided, however, that no member of the board of directors, other than one who is acting as an officer of the association and is receiving a regular salary therefor, shall be employed or appointed by the association to any position or in any capacity, for which he shall be paid a salary or other remuneration, for more than 30 days' work in any one year (exclusive of compensation authorized to be paid for attendance at any directors' meeting as specified).

SECTION 9. Quorum. - A majority of the board of directors shall constitute a quorum at any meeting of the board.

Article III

DUTIES OF DIRECTORS

SECTION 1. Management of business. - The board of directors shall have general supervision and control of the business and the affairs of the association and shall make all rules and regulations not inconsistent with law or with these bylaws for the management of the business and the guidance of the members, officers, employees, and agents of the association. They shall have installed an accounting system which shall be adequate to the requirements of the business and it shall be their duty to require proper records to be kept of all business transactions.

SECTION 2. Employment of manager. - The board of directors shall have power to employ or to authorize the employment of a manager and such other employees as may be deemed necessary and to fix their compensation. The manager shall have charge of the business of the association under the direction of the board of directors. No director shall serve as manager.

SECTION 3. Bonds and insurance. - The board of directors shall require the manager and all other officers, agents, and employees charged by the association with responsibility for the custody of any of its funds or negotiable instruments to give adequate bonds. Such bonds shall be furnished by a responsible bonding company and approved by the board of directors and the cost thereof shall be paid by the association. The board of directors shall provide for the adequate insurance of the property of the association and for adequate employer's liability and public liability insurance.

SECTION 4. Audits. - At least once in each year the board of directors shall secure the services of a competent and disinterested public auditor or accountant, who shall make a careful audit of the books and accounts of the association and render a report in writing thereon, which report shall be submitted to the members of the association at their annual meeting. This report shall include at least (1) a balance sheet showing the true assets and liabilities of the association; (2) an operating statement for the fiscal period under review which shall show the cost of, and receipts from, sales and the disbursements relative to each of the commodities handled during the period, and from each activity of the association during the period; and (3) an itemized statement of all expenses for the period under review.

SECTION 5. Storage agreements. - The board of directors shall have the power to carry out the storage agreements of the association with its members and patrons in every way advantageous to the association representing the members collectively.

SECTION 6. Depository. - The board of directors shall have the power to select one or more banks to act as depositaries of the funds of the association and to determine the manner of receiving, depositing, and

disbursing the funds of the association and the form of checks and the person or persons by whom same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

Article IV

CAPITAL STRUCTURE

SECTION 1. Capital stock. - The amount of the capital stock shall be \$_____, divided into ____ shares of common stock, each of the par value of \$____ and ____ shares of preferred stock, each of the par value of \$_____.

SECTION 2. Certificates of common stock. - Each certificate of common stock shall have the following statement printed on its face:

"The stock evidenced hereby may be purchased, owned, and/or held only by producers of agricultural products who have entered into a standard agreement for the use of storage lockers and cooperative associations of producers meeting the requirements of the Agricultural Marketing Act, as amended, and only such persons and associations shall be regarded as eligible members of the association. In the event the board of directors of the association shall find, following a hearing, that any of the stock evidenced hereby has come into the hands of any person or association which is not an eligible member or that the holder hereof has ceased to be an eligible member or that such holder, if a producer, has not for a period of _____ months patronized the association, he shall have no rights or privileges on account of such stock, or vote or voice in the management or affairs of the association (other than the right to participate in accordance with law in case of dissolution) and the association shall have the right, at its option, (a) to purchase such stock at its book or par value, whichever is less, as determined by the board of directors, or (b) to require the transfer of any such stock at its book or par value to any person or association eligible to hold the same, or (c) to require the holder of this certificate to convert his holdings of common stock into shares of preferred stock.

"In exercising its right to purchase or require the transfer or conversion into preferred stock of this certificate of common stock, if the holder hereof should fail to deliver this certificate, the association may cancel it on its books and issue a new certificate or certificates of common or preferred stock, as the case may be, to the party entitled thereto. The stock evidenced hereby may be transferred only with the consent of the board of directors of the association and on the books of the association and then only to persons eligible to hold the same, and no purported assignment or transfer of any such stock shall pass to any person not eligible

to hold the same any rights or privileges on account thereof or vote or voice in the management or affairs of the association. Any eligible holder hereof shall be entitled to only one vote in any meeting of the stockholders, regardless of the number of shares of stock owned by him. This association has a lien on the stock evidenced hereby for all indebtedness of the holder hereof thereto. No dividends shall be paid on the stock evidenced hereby. Such stock is also subject to all the other terms and conditions stated in the articles of incorporation and the bylaws of this association."

SECTION 3. Certificates of preferred stock. - Each certificate of preferred stock of this association shall have the following statement printed on its face:

"The preferred stock evidenced hereby shall carry no voting rights¹⁹ and may be transferred only on the books of the association and may be redeemed or retired in whole or on a pro rata basis at par, together with all unpaid dividends thereon at any time on 30 days' notice by the association in chronological order by years in which certificates therefor were issued. Noncumulative dividends²⁰ of ²¹ () percent per annum may be paid thereon, when, if, and as declared by the board of directors. Upon the dissolution or distribution of the assets of this association, the holders of the preferred stock shall be entitled to receive the full par value of their stock and all unpaid dividends declared thereon before any distribution is made on the common stock."

SECTION 4. Revolving fund certificates. - The association is authorized to issue and sell to members and others revolving fund certificates, of a character hereafter described, for the purpose of raising capital funds with which to engage in business, and in order to further the cooperative character of this association and provide a means whereby its current and active patrons will furnish capital for the association thereafter, the association is authorized to issue revolving fund certificates to evidence capital furnished by patrons. Funds arising from the issue of such certificates shall be used for creating a revolving fund for the purpose of building up such an amount of capital as may be deemed necessary by the board of directors from time to time and for revolving such capital. Such certificates may contain such terms and conditions not inconsistent herewith as may be prescribed from time to time by the board of directors of the association. Such certificates shall be issued in annual series, each certificate in each series upon its face being identified by the year in which it is issued; and each series shall be retired fully or on a pro rata basis, only at the discretion of the board of directors of the association, in the order of

¹⁹ See footnote 12, page 16.

²⁰ See footnote 13, page 16.

²¹ The rate agreed upon should be inserted.

issuance by years as such rates of interest²² (in no event to exceed 6 percent per annum) as the board of directors of the association in its sole discretion may from time to time prescribe without any obligation on the part of the board of directors and the association to pay interest on such certificates. A record of all holders of revolving fund certificates shall be kept and maintained by the association and such certificates shall be transferable only on the books of the association and no transfer of certificates shall be binding upon the association unless so transferred. All other debts of the association, both secured and unsecured, shall be entitled to priority over all outstanding revolving fund certificates. Upon the winding up or liquidation of the association in any manner, after full payment of all of its other creditors and the retirement at par plus unpaid declared dividends on all outstanding preferred stock, all revolving fund certificates shall be retired in full or on a pro rata basis, without priority, and then all capital reserve accounts shall be retired in full or on a pro rata basis without priority before the payment of any liquidation dividends on the common stock of the association.

SECTION 5. Patronage capital.²³ - This association shall be so operated that the current and active patrons of the association, members and nonmembers alike, will currently furnish money through their patronage for capitalizing the association and with the view of revolving the capital furnished in earlier years by the patrons and others.

In order to induce patronage²⁴ and to assure that this cooperative will operate on a nonprofit basis relative to all its transactions with its patrons, it is obligated to account on a patronage basis or bases to all of its patrons, members and nonmembers alike, for all amounts received on account of the rendition of services and on account of the sale or disposition of commodities furnished by them to the cooperative or purchased by them from the cooperative, over and above the cost or outlays relative to such commodities and the costs and expenses of the association in handling such commodities and in furnishing such services, and the fair part of the general operating costs and expenses of the association properly chargeable to each type of commodity or service, including valuation reserves and interest on capital of not to exceed ²⁵ percent per annum. The association is hereby obligated to pay all such amounts to the patrons in cash, in revolving fund certificates, or by credits to patrons in the capital ledger accounts of the association; and all of such amounts at the moment of receipt by the cooperative are received with the understanding that they are furnished

²²The deductibility of such "interest" in computing the income taxes of an association is open to question. See Commissioner of Internal Revenue v. John Kelley Co., 146 F. 2d 466. Just as there is little need for providing for the payment of dividends on stock that is held on a patronage basis, there is little need for providing for the payment of interest on revolving fund certificates that are held on a patronage basis.

²³See United Cooperatives, Inc. v. Commissioner of Internal Revenue, 4 T.C. 93.

²⁴It is contemplated that all patrons of an association, nonmembers as well as members, will be informed of these bylaws (see United Cooperatives, Inc. v. Commissioner of Internal Revenue, 4 T.C. 93, 107).

²⁵It is believed the rate should not exceed 6 percent.

by the patrons as capital, and that any part of such amounts received by the cooperative which are not evidenced by revolving fund certificates or by credits to patrons in the capital ledger accounts of the association shall be repaid in cash within a reasonable time after the close of each fiscal year. The board of directors each year shall prescribe the amount of capital, to be evidenced by revolving fund certificates, and the amount to be evidenced by credits to patrons in the capital ledger accounts for that year. All such amounts shall have the same status as though they had been paid to the patrons in cash in pursuance of a legal obligation to do so and the patrons had then furnished corresponding amounts for capital for the association. In the event the association suffers a loss in any year, the board of directors shall prescribe the basis on which the capital contributions of patrons shall be reduced on account of any such loss, so that it will be borne by the patrons on as equitable a basis as the board of directors finds practicable, but such losses shall first be charged against the capital ledger accounts. All capital furnished by deductions or otherwise under specific contracts with patrons shall be evidenced by revolving fund certificates or credited to patrons in the capital ledger accounts of the association, and such revolving fund certificates and credits shall be subject in all respects to the provisions of these bylaws regarding such certificates and credits.

SECTION 6. Revolving capital. - In order to further the cooperative character of this association, the association shall revolve its capital, however it may be evidenced (other than that evidenced by common stock), from time to time, as funds are determined by the board of directors to be available for that purpose, but, except as herein provided, the capital that is retired, in a given year, in whole or on a pro rata basis, shall be the oldest outstanding and unexhausted capital of the association. Notwithstanding any other provisions of these bylaws, the board of directors at its discretion shall have the power at any time to pay off or retire or secure a release or satisfaction of any revolving fund certificates and capital ledger credits to compromise or settle a dispute or for the purpose of facilitating the settling of an estate in bankruptcy or otherwise, or on account of the removal from the trade territory of the association of a former patron thereof.

SECTION 4. Set-off. - The association shall be entitled to set off against any claims which it may have against any patron, any amounts which the association may owe the patron.

Article V

DUTIES OF OFFICERS

SECTION 1. Duties of president. - The president shall (1) preside over all meetings of the association and of the board of directors, (2) call special meetings of the association and of the board of directors, (3) perform all acts and duties usually performed by an executive

and presiding officer, and (4) sign all stock certificates, revolving fund certificates, and such other papers of the association as he may be authorized or directed to sign by the board of directors, provided the board of directors may authorize any person to sign any or all checks, contracts, and other instruments in writing on behalf of the association. The president shall perform such other duties as may be prescribed by the board of directors.

SECTION 2. Duties of vice president. - In the absence or disability of the president, the vice president shall perform the duties of the president; provided, however, that in case of death, resignation, or disability of the president, the board of directors may declare the office vacant and elect his successor.

SECTION 3. Duties of secretary. - The secretary shall keep a complete record of all meetings of the association and the board of directors and shall have general charge and supervision of the books and records of the association. He shall sign all stock certificates and revolving fund certificates, with the president, and such other papers pertaining to the association as he may be authorized or directed to sign by the board of directors. He shall serve all notices required by law and by these bylaws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting. He shall keep the corporate seal and the book of blank stock certificates and revolving fund certificates, complete and countersign all certificates issued, and affix the corporate seal to all papers requiring a seal. He shall keep stock and revolving fund certificate records. He shall act as secretary of the executive committee. He shall make all reports required by law and shall perform such other duties as may be required of him by the association or the board of directors. Upon the election of his successor, the secretary shall turn over to him all books and other property belonging to the association that he may have in his possession.

SECTION 4. Treasurer. - The treasurer shall perform such duties with respect to the finances of the association as may be prescribed by the board of directors.

Article VI

EXECUTIVE COMMITTEE

SECTION 1. Powers and duties. - The board of directors may in its discretion appoint from its own membership an executive committee of three (3) members, determine their tenure of office and their powers and duties. The executive committee shall have such powers and duties as may, from time to time, be prescribed by the board of directors and these powers and duties may be all of the powers and duties of the said board of directors, subject to the general direction, approval, and

control of the board of directors. Copies of the minutes of any meeting of the executive committee shall be mailed to all directors within seven (7) days following such meeting.

Article VII

DUTIES OF MANAGER

SECTION 1. In general. - Under the direction of the board of directors, the manager shall have general charge of the ordinary and usual business operations of the association, including the rental of storage lockers, the purchase and handling, sale and rental of supplies and equipment, and all service rendered by the association. He shall, as far as practicable, endeavor to conduct the business in such a manner that the members will receive just and fair treatment. The manager shall deposit all money belonging to the association which comes into his possession in the name of the association in a bank selected by the board of directors and if authorized to do so by the board of directors shall make all disbursements by check therefrom for the ordinary and necessary expenses of the business in the manner and form prescribed by the board of directors. Upon the appointment of his successor, the manager shall deliver to him all money and property belonging to the association which he has in his possession or over which he has control.

SECTION 2. Duty to account. - The manager shall be required to maintain his records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time. He shall render annual and periodical statements in the form and in the manner prescribed by the board of directors. He shall carefully preserve all books, documents, correspondence, and records of whatever kind pertaining to the business which may come into his possession.

SECTION 3. Control of employees. - Subject to the approval of the board of directors, the manager shall employ, supervise, and dismiss all agents and employees of the association not specifically employed by the board of directors.

Article VIII

MEMBERS AND PATRONS

SECTION 1. Qualifications of members. - Any person, firm, partnership, corporation, or association, including both landlords and tenants in share tenancies, who is a bona fide producer of agricultural products, may become a member of the association by executing the standard agreement for the use of storage lockers, acquiring a share of the common stock of this association and meeting such other conditions as may be prescribed by the board of directors. In addition, any cooperative

association of producers of agricultural products meeting the requirements of the Agricultural Marketing Act, as amended, may become a member by purchasing common stock in the association and meeting such other conditions as may be prescribed by the board of directors.²⁶

SECTION 2. Nonmember business. - The association, if it elects to do business with nonmembers, shall deal with nonmember patrons in all respects on the same basis as members, but the association may not do over 50 percent of its business with nonmembers, and the amount of business which it may do with or for patrons who are neither members nor producers, in the rental of lockers and in the furnishing of services may not exceed 15 percent of all of such business.²⁷

Article IX

MEETINGS

SECTION 1. Fiscal year. - The fiscal year of this association shall commence on the first day of _____ and end on the last day of _____.

SECTION 2. Annual meeting. - The annual meeting of the members of this association shall be held in the town of _____, State of _____, at ____ o'clock a.m. on the _____ day of each year, or on that date which the board of directors shall designate at least 30 days in advance of the date specified above.

SECTION 3. Special meetings. Special meetings of the members of the association may be called at any time by order of the board of directors, and shall be called at any time upon the written request of at least _____(_____) percent of the members, provided that in no case shall the required number of signatures to such a request be less than _____(_____). The request shall state the time, place, and object of the meeting.

SECTION 4. Notice of meetings. - Written or printed notice of meetings for every regular and special meeting of members shall be prepared and mailed to the last-known post office address of each member not less than _____(_____) days before such meeting. Such notice, in the discretion of the board of directors, may be given by publishing the same at least _____(_____) days prior to the date of the meeting in a newspaper of general circulation published in the town where the principal place of business of the association is located. No business shall be transacted at special meetings other than that contained in the call.

²⁶ If it is desired to have an association eligible for exemption from the payment of Federal income taxes, caution should be exercised in admitting to membership any cooperative associations that are not eligible for exemption.

²⁷ If an association is not eligible for exemption it must file an income tax return and it would be required to pay income taxes on all net taxable income, but amounts received as capital would be excludable.

SECTION 5. Absentee voting. - Voting by proxy shall not be permitted²⁸ but absent members may vote on specific questions by ballots transmitted to the secretary by mail, and such ballots shall be counted only in the meeting at the time in which such vote is taken, provided that all members have been notified in writing, pursuant to action by the board of directors, of the exact wording of the motion or resolution upon which such vote is taken and a copy of the same is forwarded with and attached to the vote of the stockholder voting.

SECTION 6. Quorum. - Five²⁹ (5%) percent of the members shall constitute a quorum for the transaction of business at any meeting of the association except for the transaction of business concerning which a different quorum is specifically provided by law or by these bylaws but in the event a quorum is not present, such meeting may be adjourned from time to time by those present until a quorum is obtained.

SECTION 7. Order of business. - The order of business at the annual meeting shall be:

1. Roll call
2. Proof of due notice of meeting
3. Reading and disposal of minutes
4. Annual reports of officers and committees
5. Election of directors
6. Unfinished business
7. New business
8. Adjournment

Article X

MISCELLANEOUS PROVISIONS

SECTION 1. Bylaws printed. - After adoption, these bylaws, preceded by the articles of incorporation, shall be printed in pamphlet form and a copy thereof shall be delivered to each member and to each person who may later become a member of the association hereafter as shown on the books of record.

SECTION 2. Seal. - The seal of the association shall contain these words and figures: "_____ Association, Incorporated, 19_____" in circular form, the impress of which is placed hereon.

²⁸The right of a member to vote by proxy is granted in some States.

²⁹If permitted by law, the number of members necessary to constitute a quorum should be small in order that meetings may not fail for the lack of a quorum.

Article XI

AMENDMENTS

If notice of the character of the amendment proposed has been given in the notice of a meeting, these bylaws may be altered or amended at any regular or special meeting of the members by the affirmative vote of three-fourths or more of the members present or voting by mail.

We, the undersigned, being all the members of the _____ Association, do hereby assent to the foregoing bylaws and do adopt the same as the bylaws of said association.

In witness whereof, we have hereunto subscribed our names, this _____ day of _____, 19____.

WAIVER OF NOTICE OF FIRST MEETING OF MEMBERS

We, the undersigned, being all the incorporators of the _____ (Name of association) _____ of _____, _____, (Town) _____, (State) _____, constituting all the present members of such association, hereby waive notice of a meeting of the members and consent to the holding of a meeting of such members at _____ o'clock _____.m. on the _____ day of _____, 19_____, at _____ (Place of meeting), in _____ (Town), _____ (State), for the purpose of adopting bylaws for the government of the association and transacting any other business that may properly come before the meeting.

WITNESS our signatures this _____ day of _____, 19_____.

WAIVER OF NOTICE OF FIRST MEETING OF DIRECTORS

We, the undersigned, being all the directors of _____

_____, hereby waive notice of a meeting of the
directors and consent to the holding of a meeting of such directors at
____ o'clock ___m., on _____, the _____ day of _____,
19____, at _____, in _____, for the pur-
pose of electing officers of the association to serve during the ensuing
year and transacting any other business that may properly come before
said meeting.

WITNESS our signatures this _____ day of _____, 19 ____.

MINUTES OF FIRST MEETING OF MEMBERS

The first meeting of the members of _____ was held at

____ o'clock ___m. on the _____ day of _____, 19____, at

_____, in _____, _____.
_____. The chair called for
proof of notice of the meeting, whereupon _____ presented a
waiver of notice and consent to hold a meeting, signed by all members of
the association, which waiver and consent was in the following form:

(Copy waiver of notice and consent to meeting.)

The chair ruled that the meeting was properly called and it was ascertained that all members of the association were present. The chair reported that the articles of incorporation of the association were filed on the _____ day of _____, 19____, at ____ o'clock in the
____ noon, in the office of the Secretary of State of the State of
_____, and presented a copy of the said articles of incorporation which was read and on motion duly made, seconded and carried, was directed to be entered in full in the minute book. A draft of the proposed bylaws for the government of the association was presented by
_____ and was read to the meeting and was discussed section by section and as a whole, and was unanimously adopted. Each member affixed his signature to the bylaws and the secretary was instructed to spread the bylaws on the minutes of this meeting.

(Here insert record of any other business that may have been transacted.)

There being no further business to come before the meeting, on motion duly made, seconded, and unanimously adopted, the meeting adjourned.

(Temporary Chairman)

(Temporary Secretary)

MINUTES OF FIRST MEETING OF BOARD OF DIRECTORS
OF

(Name of Association)

The first meeting of the board of directors of the _____

association) _____, _____ (Town) _____, _____ (State) _____, was held at _____ o'clock
m. on _____, _____, 19_____, at _____

(Day) _____, _____ (Place of meeting)
in _____, _____ (Town) _____, _____ (State) _____.

Upon convening, _____ was elected temporary chairman and
_____ temporary secretary of the meeting and each assumed his
office.

The chair called for proof of notice of the meeting, whereupon
_____ presented a waiver of notice and consent to holding the
meeting, signed by all the directors of the association, which waiver
and consent was written as follows:

(Copy waiver of notice and consent to holding meeting.)

Upon roll call of the directors of the association, the following
answered present: *(Record the names of all directors present.)*

The chair ruled that proper and legal notice of the meeting had been
given and that a quorum was present and announced that the meeting was
open for transacting business.

The chair stated that the meeting was called for the purpose of
electing officers of the association for the ensuing year and transacting
any other business that might properly come before the meeting.

Upon motion duly made and seconded, the following officers were
unanimously elected to serve at the discretion of the board until the
time of the first regular meeting of the board to be held as soon as
practicable following the first annual meeting of the members.

(Record the names of the officers elected and the title of office.)

Following the election of the officers, the president took the chair and the secretary assumed his duties as secretary of the meeting.

Upon motion duly made, seconded, and carried, the following were appointed members of the executive committee, as provided in the bylaws:

(Record names of members so appointed)

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the executive committee be charged with the following specific powers and duties:

(State here the specific powers and duties which it is desired to delegate during the period when the directors are not in session, subject to the general direction of the board.)

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the president and secretary be and they are hereby authorized to have prepared and to issue certificates of common and preferred stock in the forms submitted to this meeting; which forms read as follows:

(Here insert copies of certificates of common and preferred stock having printed thereon the provisions appearing in sections 2 and 3 respectively of article IV of the bylaws.)

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the president and secretary be and they are hereby authorized to have printed a sufficient number of copies of the articles of incorporation and bylaws, so that a copy thereof may be delivered to each member, and to each person who may later become a member of the association.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that all subscriptions for common and preferred stock of the association appearing on the list submitted by the secretary be accepted.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the _____ Bank be selected as a depositary for the funds of the association.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that all checks drawn upon the _____ Bank, for withdrawal of funds of the association on deposit therewith, be signed by the treasurer and countersigned by either the president or the vice president.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the treasurer is hereby authorized to receive all funds paid into the association, endorse all checks and other media of exchange, and deposit the same to the account of the association in _____ Bank.

Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the executive committee be and it hereby is authorized to determine the amount of the bond or bonds which the bylaws specify shall be required of all officers, agents, and employees charged by the association with responsibility for the custody of any of its funds or negotiable instruments, and to see that the bonds, as required, are executed and presented for the approval of the board of directors.

(Similar resolutions should be adopted, providing for the insurance of the property of the association and for adequate insurance covering other contingencies. Any additional business transacted by the board should also be recorded here.)

There being no further business to come before the meeting, on motion duly made, seconded, and unanimously adopted, the meeting adjourned.

CHAIRMAN

SECRETARY

REVOLVING FUND CERTIFICATE

'Series 19__

No. _____ Amount \$ _____ Date _____

This certifies that _____ of _____
(Name) (Address)

is entitled to receive the amount of _____ Dollars without
interest from the _____ on account of money furnished for
(Name of association)
capital purposes in accordance with the bylaws and locker agreement of
the association:

1. This and other revolving fund certificates of the same series are retrievable in the sole discretion of the board of directors, either fully or on a pro rata basis, but certificates issued in prior years shall be entitled to priority in retirement, except in liquidation.
2. This certificate is transferable only on the books of the association.
3. This and other certificates shall be junior and subordinate to all other debts of the association, both secured and unsecured. Upon the winding up or liquidation of the association in any manner, after full payment to all of its other creditors and the retirement at par plus unpaid declared dividends of all outstanding preferred stock, all revolving fund certificates shall be retired in full or on a pro rata basis, without priority, and then all capital reserve accounts shall be retired in full or on a pro rata basis without priority before the payment of any liquidation dividends on the common stock of the association.

IN WITNESS WHEREOF, the _____ has caused this certifi-
(Name of association)
cate to be signed by its duly authorized officers and to be sealed with
its seal this _____ day of _____, 19____.

